

Message Text

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ORIGIN STR-08

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NSCE-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07

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TO AMEMBASSY ROME IMMEDIATE

INFO AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

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USMISSION GENEVA

AMEMBASSY DUBLIN

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C O R R E C T E D C O P Y (ERRORS THROUGHOUT TEXT)

E.O. 11652: N/A

TAGS: ETRD, EEC, US

SUBJECT: 24:6 NEGOTIATIONS - KRAFT PAPER

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REFERENCE: (A) ROME 04605, (B) STATE 231596, NOVEMBER

26, 1973.

1. IN 24:6 NEGOTIATIONS ONE OF OUR KEY OBJECTIVES IS EC CONCESSION ON KRAFT PAPER AND PAPERBOARD (48.01 (II)). (OUR CURRENT REQUEST IS FOR CONCESSIONS ON KRAFTLINER AND BLEACHED PAPER FOR PACKAGING, INCLUDING FOOD BOARD, WHICH ARE EX-OUTS FROM KRAFT PAPER AND PAPERBOARD CATEGORY). SOME EC OFFICIALS HAVE ASSERTED THAT ACTION BY US COST OF LIVING COUNCIL (COLC) LIMITING U.S. EXPORTS OF PULP MAKES IT VERY DIFFICULT TO GRANT OUR REQUEST. ARGUMENT IS THAT WE ARE ASKING FOR CONCESSIONS FOR U.S. KRAFT PRODUCERS WHILE SIMULTANEOUSLY UNFAIRLY DAMAGING EUROPEAN PRODUCERS BY CUTTING OFF NEEDED SUPPLIES OF KEY RAW MATERIAL. WE CONSIDER THIS OBJECTION TO BE SPECIOUS, AND POSTS SHOULD AS APPROPRIATE DRAW ON POINTS PARA 3 BELOW TO COUNTER.

2. BACKGROUND: COLC ACTION TAKEN IN MARCH WAS TO REQUEST WRITTEN VOLUNTARY COMMITMENTS FROM U.S. FIRMS WITH RESPECT TO PRICING AND EXPORT BEHAVIOR TO QUALIFY FOR PRICE DE-CONTROL. FIRMS NOT SUBMITTING THESE COMMITMENTS WERE NOT EXEMPTED FROM PRICE CONTROL. THE COMMITMENT REQUESTED WAS THAT TOTAL EXPORTS BY THE FIRM OF U.S. PRODUCED PULP IN 1974 WOULD NOT EXCEED TOTAL TONNAGE EXPORTED IN 1973 (OR NOT EXCEED LEVEL REQUIRED BY THEN EXISTING LEVEL OF CONTRACTUAL COMMITMENTS IF THAT HIGHER THAN '73 SHIPMENTS). 33 COMPANIES WITH 1973 EXPORTS OF 1.79 MILLION TONS, (75 PERCENT OF TOTAL U.S. PULP EXPORTS) SIGNED THIS VOLUNTARY COMMITMENT STATEMENT.

3. EMBASSIES CAN USE FOLLOWING POINTS IN COUNTERING EC ARGUMENTS:

(A) NOT ALL U.S. PULP EXPORTING FIRMS AGREED TO EXPORT LIMITATION. A NUMBER OF FIRMS, INCLUDING SOME MAJORS, ARE THUS COMPLETELY FREE TO EXPORT WITHOUT LIMITATION. IT IS EXPECTED THAT THEIR TOTAL SALES ABROAD IN 1974 WILL INCREASE WELL ABOVE 1973 LEVELS, PARTICULARLY IN VIEW OF HIGHER PRICES ABROAD THAN IN U.S.

(B) EVEN FOR FIRMS THAT AGREED TO LIMITATION PREVIOUS COMMITMENTS RESULT IN 1974 CEILING FOR THOSE FIRMS LIMITED OFFICIAL USE

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ALONE OF 110 PERCENT (IN VOLUME TERMS) OF THEIR 1973 EXPORTS.

(C) EC RELIES ON U.S. FOR LESS THAN 3 PERCENT OF TOTAL IMPORTS OF UNBLEACHED SULPHATE PULP WHICH IS USED IN PRODUCTION OF KRAFT LINERBOARD, WHICH IS PRINCIPAL KRAFT ITEM ON WHICH WE ARE ASKING FOR CONCESSIONS. (EVEN FOR ITALY PERCENTAGE IS ONLY 4 PERCENT). FURTHERMORE,

LINERBOARD IS NORMALLY PRODUCED IN INTEGRATED MILLS WHICH DO NOT RELY ON OUTSIDE SOURCES OF PULP, IMPORTED OR DOMESTIC. FOR BLEACHED SULPHATE PULP, WHICH IS USED FOR BLEACHED PAPER FOR PACKAGING (AS WELL AS FOR MANY OTHER PURPOSES) PERCENTAGE OF E.C. IMPORTS FROM U.S. IN 1972 WAS ONLY 13 PERCENT.

4. IF IN DISCUSSING MATTER WITH HOST GOVERNMENT POSTS ARE TOLD THAT RESCINDING EXPORT LIMITATION WOULD BE OF CRUCIAL IMPORTANCE IN PERMITTING HOST GOVERNMENT TO SUPPORT OUR PROPOSED CONCESSION, THIS SHOULD BE REPORTED IMMEDIATELY. RUSH

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